

March 10, 2014

The Honorable Steve Abrams, Chairperson
Senate Committee on Education
Statehouse, Room 224-E
Topeka, Kansas 66612

Dear Senator Abrams:

SUBJECT: Fiscal Note for SB 378 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 378 is respectfully submitted to your committee.

SB 378 would create the Kansas Educational Opportunity Act, which would allow state and local aid to be used to fund private education for qualified students. The bill would define a “qualified student” as any person who is currently enrolled in a public school in any of grades K-12 or who is eligible to be enrolled in kindergarten, and who is:

1. An exceptional child who has in effect or is eligible for an individualized education plan; or
2. Considered an at-risk pupil; or
3. Attends a school that would qualify as either a Title I focus school or a Title I priority school as described by the State Board of Education under the Elementary and Secondary Education Act Flexibility Waiver as amended in January 2013, or
4. Participated in the Kansas Educational Opportunity Program during the previous school year and whose parent renews the Educational Opportunity Program agreement.

Under the provisions of the bill, parents of a qualified student could establish an account and enter into a written agreement with the State Treasurer to:

1. Provide an education at a qualified school of the parent’s choice;
2. Not enroll the qualified student in any school, including a public charter school, that is operated by a school district;
3. Release the resident school district from any and all obligations to provide an education; and
4. Use the funds in the account solely for the purposes specified in the bill.

A qualified student with an established account enrolled at a qualified school would not be counted as a pupil by the resident school district for the purposes of determining enrollment as per the School District Finance and Quality Performance Act.

The bill specifies that the amount to be credited to an account in any one school year would be an amount equal to 95.0 percent of the aggregate state and local aid per pupil the resident school district is entitled to receive for the preceding school year. For the purpose of paying the expenses incurred in administering accounts, the State Treasurer and the Kansas State Department of Education (KSDE) would each receive an amount equal to not more than 1.0 percent of the aggregate state and local aid per pupil the resident school district is entitled to receive. The remaining 3.0 percent would be credited to the State School District Finance Fund and paid to the resident school district for deposit into the district's general fund.

KSDE must certify to each school district the amount of the tax proceeds received by a school district from any tax imposed to be remitted to the State Board of Education. To determine that amount, KSDE would

1. Determine the total tax proceeds for each district;
2. Divide the amount by the aggregate pupil enrollment of the district for the current year, or if enrollment is unknown, the preceding school year; and
3. Multiply the quotient by the number of qualified students participating in the program who would otherwise be enrolled in the school district.

The resulting product is the amount of tax proceeds received by a school district to be remitted to the State Board, which will in turn remit these monies to the State Treasurer. Funds deposited in a qualified student's account may be accessed by a parent and expended according to the provisions outlined in the bill. The State Treasurer's Office would conduct random audits to ensure that parents use the funds for permitted purposes. Funds remaining in the account after the student either graduates from a postsecondary institution or four years after the student either graduates from high school or turns eighteen years of age would be returned to the State General Fund. School districts would be authorized to levy an ad valorem tax upon the taxable tangible property of the district for the purpose of financing Kansas Education Opportunity accounts.

According to the Kansas State Department of Education, passage of SB 378 will require considerable work to ensure that the proper students are eligible for funding and that the money is credited to the qualified students. The Department estimates that fulfilling these responsibilities would require an additional 1.00 Accountant II position at a cost of \$62,000, with \$60,000 for salaries and wages and \$2,000 for other operating expenses. These expenditures would be paid for from the 1.0 percent of aggregate state and local aid per pupil the resident school district would have been entitled to receive that would be returned to the Department.

The Kansas State Treasurer indicates that passage of SB 378 would result in additional expenditures of \$20,000 in FY 2014 and \$140,500 in FY 2015. The State Treasurer's Office

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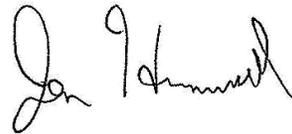
March 10, 2014

Page 3—SB 378

estimates that annual expenditures to operate the program would consist of staff salaries and benefits for 1.00 Accountant II and 1.00 Administrative Specialist in the amount of \$87,500. Both positions would be unclassified. In addition, the agency would spend \$15,000 for office space, \$6,000 for IT support, \$12,000 for training and travel, Up to \$220,000 for consultants or contract auditors. Startup costs would include \$4,000 for computer hardware. The agency anticipates that the accounting requirements of the program could be handled by the state's existing SMART financial software, but if the program grows, additional funding might be needed to develop tracking software to interface with SMART. The Kansas State Department of Education estimates that approximately 290,000 students would be eligible to participate in the program with an average of \$7,000 in state aid per student. The annual expense associated with the program would be covered by the 1.0 percent fee retained by the State Treasurer's Office if 0.7 percent of the eligible students chose to participate in the program with an average fee of \$70 per student.

The League of Kansas Municipalities and the Kansas Association of Counties do not expect passage of SB 378 to have a fiscal effect on the cities, towns and counties of Kansas. Any fiscal effect associated with SB 378 is not reflected in *The FY 2015 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon Hummell". The signature is fluid and cursive, with the first name "Jon" being more prominent than the last name "Hummell".

Jon Hummell,
Interim Director of the Budget

cc: Dale Dennis, Education
Derek Kreifels, Treasurer's Office
Melissa Wangemann, KAC
Larry Baer, LKM
Steve Neske, Revenue